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SUBJECT: FY 2006 Narcotics Certification for Peru

REF: SECSTATE 94578

1. Peru has cooperated fully in the bilateral drug program with the United States. This report is based on the benchmarks.

2. Coca reduction - The goal is to reduce the amount of coca for illicit uses under cultivation through eradication of illegal coca to 27,800 hectares as measured by the Crime and Narcotics Center (CNC).

-- Peru eradicated over 10,500 hectares of coca in CY 2004. Almost 8000 were conventional eradication, while 2500 hectares were voluntarily eradicated, for a total of 10,500. CNC estimated that in 2004 there were 27,500 HA of fully productive coca being grown in Peru. The Government of Peru, using a different methodology, estimates there are 46,000 hectares of coca, close to 10,000 hectares more than it recorded last year.

-- In 2005, the GOP has planned and mounted aggressive interdiction and eradication campaigns in the Huallaga Valley in traditional coca cultivation zones that had previously been off limits because of violent resistance by farmers to any law enforcement presence. The PNP mounted extensive interdiction campaigns directed at destroyed cocaine base laboratories in this zone prior to initiating eradication teams. Attacks against helicopters delayed the start of eradication until police revamped their tactics and inserted larger numbers of troops to protect eradicators. With strong backing by senior GOP officials, These new tactics have proven successful in the cocalero stronghold of Pizana.

--CORAH (government eradication entity) has conducted eradication in communities that have refused to participate or failed to fulfill a commitment to voluntary eradication under the PDAP (Participative Alternative Development Program). This effort has prompted adjacent communities that had not joined the PDAP to reconsider this option.

-- CORAH's next major eradication effort after Pizana will be in the San Gaban area, Puno Department. CORAH eradicated 1,500 hectares of coca in San Gaban in 2004. The effort this year will be to eradicate the remaining 2,000 hectares. We expect significant eradication productivity because the coca fields are denser and confined to a narrower area closer to our base of operations.

-- The GOP set a goal of 8,000 hectares of programmed (forced) eradication. At this time, it is unlikely that the GOP will meet this goal by December 2005. The principal reason for the shortfall is delays in the Huallaga Valley operations because of the requirement for increased security.

3. Police counter-narcotics enforcement: The goal of this project is to develop police operations to combat illicit drug trafficking and to support eradication of illegal coca cultivation. Criteria for measuring progress toward this goal shall be the increased presence of Peruvian law enforcement authorities in drug-growing regions with a concurrent increase in the dismantling of drug trafficking organizations, increased arrests of drug traffickers, greater seizures of illegal weapons, illicit drugs, precursor chemicals and goods seized as a result of these operations. The target shall be to increase the number of PNP drug police (DIRANDRO) deployed from a baseline of 569 troops in 2004 to 969 troops in 2005.

-- The PNP established two new basic training academies in coca growing regions in 2004. Two hundred students graduated in May 2005. They have all been assigned to the Peruvian drug police units operating in the coca growing valleys for the next three years. Another 200 students will graduate in December 2005.

--. The Peruvian National Police (PNP) have seized and/or destroyed sizeable quantities of drugs in 2005. The PNP continually conduct operations approximate to coca growing regions and have made a significant impact in interdiction and seizure of coca leaf and destruction of rustic labs and cocaine base laboratories pits. They successfully identified and disrupted major international cocaine trafficking organizations responsible for maritime and air shipment of metric tons of cocaine to U.S., South American,

and European markets. In the first five months of 2005, PNP has seized record quantities of cocaine HCl and opium latex. Utilizing DEA's concept of priority targeting, U.S. Embassy helped DIRANDRO successfully identify and disrupt major international cocaine trafficking organizations responsible for maritime and air shipment of metric tons of cocaine to U.S., South American, European and Far Eastern markets.

-- As of May 30, the PNP has seized approximately 5.6 metric tons of cocaine HCl and 139 kgs of cocaine base through law enforcement investigative efforts. This is significant in comparison to CY 2004 where cocaine base and cocaine HCl seizures measured at approximately 6.5 metric tons and 2.7 metric tons respectively. Information from multiple sources, including intelligence reporting and recent seizures, indicates that cocaine HCl is being produced in greater quantities in large clandestine processing laboratories located in the coastal regions of Peru.

-- The opium poppy cultivation and opium latex trafficking in Peru remains a concern as evidenced by seizures and arrests by the PNP. Poppy cultivation and opium poppy trafficking continues in multi-kilogram quantities in Peru, as evidenced by the opium latex seizures by the PNP. Based on the poor quality of latex seized to date, however, Peruvian producers reportedly cannot deliver a product suitable for heroin production. DIRANDRO seized 573 kgs of opium latex in the first five months of CY2005, up from 383 kgs in all of CY 2004. It is unknown if these sizeable seizures are related to increased opium poppy cultivation in Peru.

-- In most seizures, the suspects are low-level operators or transportation specialists within the organization. Most suspects do not cooperate; primarily due to a cumbersome legal framework which limits post seizure investigations to 15 days and does not provide any benefit or legal flexibility. After the 15 days have concluded, PNP normally closes out the investigation as any further evidence and/or witnesses are not allowed in judicial proceedings related to that particular case. Weak asset forfeiture legislation and indifference towards asset forfeiture by the Peruvian judicial system is why asset seizures are non-existent in Peru. The GOP has put Fernando Zevallos, whom the USG designated as a drug kingpin in 2004, on trial for narcotics trafficking offenses. This judicial proceeding is ongoing.

-- The PNP has eradicated 98 hectares of opium fields in CY2005. The GOP has estimated there are about 1,500 hectares of opium under cultivation. This estimate is based on an extrapolation from seizures and hectares eradicated. No one really knows how much opium is being grown in Peru. The GOP and USG are cooperating to do a limited short-term aerial survey of suspected opium growing areas in Northern Peru. So far, very little opium has been found.

-- In an effort to further identify distribution points, identify opium drug trafficking organizations and final destination for the opium product, DIRANDRO has increased its intelligence and investigative resources to include joint cross-border cooperation with Peru's neighbors.

-- Although drug trafficking organizations were disrupted through these seizures, no major traffickers were arrested or significant assets seized. None of the money laundering cases that have been passed by the GOP's Financial Intelligence Unit to the Public Ministry have resulted in indictments.

-- The Peruvian National Police proactively cooperate with neighboring countries and the U.S. to conduct regional chemical control operations. As a result from Operation Six Frontiers interdiction operations in CY 2004, the PNP seized over 1200 metric tons of precursor chemicals. Separate from this regional initiative, PNP DEPCIQ has conducted several chemical investigations resulting in over 3 metric tons of precursor chemicals in CY 2005.

-- DIRANDRO and Peruvian Customs have established a joint interdiction group at the Port of Callao to review all export documents of containerized-freight and identify suspect cargo for further inspection. Due to increased transportation of cocaine products to the coastal regions for maritime smuggling, DEA and PNP are increasing investigative and intelligence resources to address this problem.

14. Aviation support - The goal was to achieve a 10 percent increase in the number of counter-narcotics operations by the PNP annually and to maintain an operations rate of 80 percent.

-- The GOP has improved its mission planning coordination and actual flight hours have risen by 28 percent from October 2004 through April 2005 compared to the same 7-month

period a year earlier.

15. Prosecutions by Public Ministry - The 2005 target was to train general prosecutors in key drug growing and transit regions to assist the special anti-drug prosecutors in counter-narcotics operations by the PNP.

-- The GOP has provided counter-narcotics training to 146 fiscals in 7 cities. The next step in the process will be to assign them to eradication or interdiction operations when a special narcotics prosecutor is unavailable.

16. Policy & Institutional Development - Criteria for measuring progress towards this goal include the goals established in Peru's National Strategy for the Fight Against Drugs; further progress by the GOP in implementing its anti-money laundering regime and anti-corruption programs.

-- In 2004 DEVIDA and the National Statistics and Information Institute (INEI) published a rigorous scientific study of traditional use of coca. The study showed that 8,800 tons of leaf would meet the licit demand, but that 2/3 of that amount is by-passing the "official" marketing agency, ENACO. The study establishes that 84 percent of coca leaf grown in Peru goes to drugs.

-- Peru's progress with the G8 anti-corruption initiative is excellent. The GOP was the first country to present a complete action plan thanks to strong Peruvian interagency effort. USG is funding 2.21 million in projects in support of this plan. The USG is working with Comptroller to do an audit and assessment of its anti-corruption functions.

17. Airports and seaports - The target is to establish fully functioning Cargo Manifest Review Units (MRU) and canine teams in four key Peruvian seaports and at Jorge Chavez international airport.

-- One MRU has been established at the Port of Callao. The GOP and USG signed a memorandum of Understanding to formalize its operation in April. Progress is being made towards setting up a second MRU at the Port of Paita. In the coming months we will need to move ahead with establishing container security regimes at two other seaports.

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